

MINUTES OF THE FIFTH MEETING OF THE BOARD OF DIRECTORS OF MUSKRAT FALLS CORPORATION HELD IN THE BOARDROOM, LEVEL 6, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON THURSDAY, NOVEMBER 20, 2014 AT 09:00 A.M.

Present in Person: K. Marshall, Chair
R. Daw, Member
E. Martin, Member
J. Quaicoe, Member
G. Shortall, Member

**Present by Invitation
In person:** Derrick Sturge, Vice-President Finance &
Chief Financial Officer
Gilbert Bennett, Vice-President Lower
Churchill Project
James Meaney, General Manager Finance,
Lower Churchill Project

Secretary: Wayne Chamberlain

58. CONSTITUTION OF THE MEETING

Notice of the meeting was sent to all Directors on November 3, 2014. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

59. SAFETY MOMENT

Mr. Meaney circulated and provided a safety moment on smoke alarms at home.

60. APPROVAL OF AGENDA

On motion duly made by Mr. Martin, seconded by Mr. Quaicoe and unanimously carried, it was resolved:

THAT the Agenda of the 5th Meeting of the Board of Directors of Muskrat Falls Corporation which Agenda is currently before this meeting, be and it is hereby approved.

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61. VERIFICATION OF MINUTES

A copy of the minutes of the **FOURTH** meeting of the Board of Directors of Muskrat Falls Corporation held on June 20, 2014 and was included in the meeting papers circulated prior to the meeting.

On motion duly made by Mr. Martin, seconded by Mr. Daw and unanimously carried, it was resolved:

THAT the minutes of the **FOURTH** meeting of the Board of Directors of Muskrat Falls held on June 20, 2014, which minutes are currently before this meeting, be and they are hereby verified as being correct; and

THAT the Chairperson be and is hereby authorized to verify the minutes by signing the Minute Book.

62. BUSINESS ARISING

There was no business arising.

63. ACTION LIST

Mr. Meaney reported that a debt to date column has been included in the report to the Board for this meeting and will be there on a go forward basis.

64. PRESIDENT'S REPORT

Mr. Bennett reviewed the President's Report that was included in the Board papers circulated prior to the meeting. He commenced to review the 2014 Plan highlights and noted that all were green. He advised that although the safety targets are on target to be achieved, there were several high potential near misses by the Powerhouse contractor concerning slinging operations and cranes. He reported that the lead safety person for Astaldi was replaced and that there is a strong focus on safety at the site.

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He advised that environmental performance has been good with environmental protection plans in place and working with Emera to ensure that the approach is as consistent as it can be regarding the regulatory process. He stated that the finance performance targets are on track but noted that with respect to project execution, Astaldi had a slow start and have used much of the float but the in-service date has not been impacted. He advised that Astaldi has responded positively to the concerns raised and has been receptive to taking appropriate action to improve their work execution and safety performance. He stated that the Astaldi subcontractors and suppliers and equipment and materials are good.

Mr. Martin stated that a mitigation plan is in place with respect to execution of the Astaldi work and are working with them to improve and recover their productivity.

Mr. Bennett confirmed that this issue is being actively managed by the Project team and are working with Astaldi to improve performance. He stated that the Powerhouse mobilization work is nearly completed and will be transitioning to more complex permanent concrete works which will require fewer but more skilled workers. He advised that in this transition Astaldi will be changing out its workforce and seeking more skilled workers, likely resulting in more workers being hired from outside Labrador if the local workforce is unable to provide the skills required for this next phase of the work.

He reported that the transmission line construction and other work are progressing well. He advised that a steering committee and working groups have been established to ensure the integration of the Project work with Newfoundland and Labrador Hydro and Emera operations. He stated that there continues to be a focus on organizational effectiveness and confirmed that the Project team has benefited from the programs to enhance team effectiveness. He also provided an update on the Labrador Acquisition Plan and approval and implementation of the

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Gender Equity and Diversity Plan and noted that there is a good working relationship with the Innu.

Mr. Bennett provided an overview of the changing labour requirements in Labrador noting that there will be the normal transition from moving from one work scope to another, such as transition from less skilled workforce for civil work to more skilled workforce to complete mechanical/electrical and other work changes in geographical work, whereby transmission work will shift from Labrador to the Island and looking for opportunities to employ more entry level workers with other contractors.

He reviewed the safety performance and advised that there have been no lost time or medical treatment injuries and stated that all environmental targets are expected to be achieved by year-end. He provided an overview of the recent and upcoming activities at the Muskrat Falls site.

Mr. Bennett reviewed the current state of the outstanding work to be awarded including the construction of the North Spur stabilization work, the construction of the North and South Concrete Dams and the supply and installation of mechanical and electrical work.

65.

FINANCE REPORT

Mr. Meaney reviewed the Finance Report that was included in the Board papers circulated prior to the meeting. He noted that the Financial Report is as of September 30, 2014 and in reviewing the highlights noted that year-to-date actual costs including capital costs are lower than year-to-date budget costs, primarily due to the lower progress of Astaldi on the construction of the powerhouse work.

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He provided an update on the amount of the Corporation's debt draws under the Muskrat Falls and Labrador Transmission Assets Finance Agreement and advised that the debt/equity ratio is currently at approximately 55:45 but is expected to be 65:35 by June of next year. He stated that there would be an interest payment on the Muskrat Falls/Labrador Transmission Corporation bonds in December of approximately \$50 million which will be about \$34 million net for the Corporation and Labrador Transmission Corporation on a combined basis.

Mr. Meaney reported that the independent engineer visit to the Muskrat Falls site in July went well resulting in a positive report. He noted that an audit of Astaldi and Andritz invoice and payment certificates was completed in October and again resulted in a positive report. He stated a second visit of the site is planned in the next few weeks whereby a Project update will be provided as well.

Mr. Bennett provided an update with respect to the Maritime Link costs noting that the cable and converter contracts have been signed and transmission contract bids have been received and are being evaluated. He stated that costs are not an issue but completion may be closer to our Project in-service date than originally anticipated.

Mr. Meaney confirmed that as of the end of September 2014 \$1.903 billion including Interest During Construction ("IDC") and financing costs has been spent with respect to a total Project budget of \$8.3 billion for the Muskrat Falls, Labrador-Island Link and Labrador Transmission Asset projects and Emera has expended approximately \$215 million on the Maritime Link.

66.

APPROVAL OF 2015 BUDGET

Mr. Meaney reviewed the 2015 Budget that was included in the Board papers circulated prior to the meeting. He reviewed the highlights noting that the 2015 Muskrat Falls total capital expenditures budget is higher than the 2014 budget at

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\$939 million and is composed of \$870 million in direct capital costs and \$67 million in IDC costs and \$1 million in financing costs. He stated that the 2015 capital expenditures were included in the revised Authorization for Expenditures ("AFE") approved by the Board in June and noted that the Corporation is budgeting costs for audit fees, director fees and expenses and training and donations which must be expensed in accordance with IFRS requirements.

He reviewed the key construction activities and major contract awards in 2015 and the breakdown of the major budget component costs. He provided an overview of the financing cost budget of \$1.3 million and equity requirements for Muskrat Falls in 2015, noting that Management will be providing a full Project budget update next week to the Shareholder. He stated that the balance of Project cost funding will be achieved by means of draws on the debt proceeds that have been invested in structures deposit notes.

On motion duly made by Mr. Shortall, seconded by Mr. Quicoe and unanimously carried, it was resolved:

THAT the Muskrat Falls Corporation Budget for 2015, as tabled and initialed by the Secretary for identification, be and it is hereby approved.

**67. PROJECT FINANCE AGREEMENTS
– PROPOSED AMENDMENTS**

Mr. Meaney reviewed the MF/LTA Project Finance Agreement: Proposed Amendments that was included in the Board papers circulated prior to the meeting. He stated that the purpose is to provide the Board with an update on the proposed amendments to the MF/LTA Project Finance Agreement ("PFA"). He stated that to date there have been 12 draw downs and advised that in implementing the PFA it was noted that amendments were required and the parties consulted with the Government of Canada. He advised that the proposed

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amendments do not change the substantial rights and obligations of the parties and he then provided an overview of the nature and intent of the amendments to clarify specific definitions and to fix a mismatch of dates that effected the replenishment of the working capital reserve account. He stated that when the wording of the amendments are finalized, the PFA will be subject to the corporate due diligence process and when the proposed amendments to the PFA are ready for execution, Management will then seek approval of the Board, which is currently expected later in December or January 2015.

68. COMPLIANCE CERTIFICATE

Mr. Sturge referred to the Corporate Compliance Certificate for the period ended October 31, 2014 that was included in the Board papers circulated prior to the meeting. There were no comments.

69. APPOINTMENT OF CHAIR

On motion duly made by Mr. Shortall, seconded by Mr. Martin and unanimously carried, it was resolved:

WHEREAS Ken Marshall was appointed Acting Chairperson, effective June 20, 2014;

AND WHEREAS Ken Marshall is to now be appointed as Chairperson;

AND WHEREAS pursuant to Section 5.01 of By-Law No. 1 of the Corporation, the Board of Directors has the authority to appoint officers of the Corporation;

THEREFORE BE IT RESOLVED THAT Ken Marshall be and he is hereby appointed Chairperson of the Corporation, effective November 20, 2014.

70. APPOINTMENT OF GENERAL MANAGER

On motion duly made by Mr. Martin, seconded by Mr. Daw and unanimously carried, it was resolved:

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WHEREAS pursuant to Section 5.01 of By-Law No. 1 of the Corporation, the Board of Directors has the authority to appoint officers of the Corporation;

THEREFORE BE IT RESOLVED THAT Auburn Warren be and he is hereby appointed General Manager, Commercial, Treasury & Risk.

71. ANNUAL WORK PLAN

The Secretary referred to the Annual Work Plan that was included in the Board papers circulated prior to the meeting. There were no comments.

72. 2015 MEETING SCHEDULE

The Secretary referred to the 2015 Meeting Schedule that was included in the Board papers circulated prior to the meeting. There were no comments.

73. OTHER BUSINESS

It was agreed that Management will schedule one or two presentations for members of the Board of Directors of the Lower Churchill companies to choose from regarding Lower Churchill Project Oversight and Control, Corporate Governance and Project Management Structure prior to the next Board meeting and at least one of these presentations will be held at the Lower Churchill offices on Torbay Road.

It was also agreed that Management will schedule prior to the next Board meeting three or four opportunities for members of the Boards of Directors of the Lower Churchill companies to visit and tour the Muskrat Falls site in Q1 and early Q2 of 2015 whereby three of four board members at a time would be provided with a tour.

74. DATE OF NEXT MEETING

The next meeting is scheduled to be held on Thursday, March 5, 2015.

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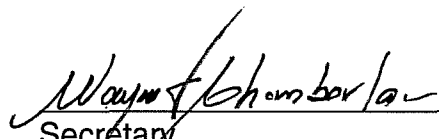
Messrs. Martin, Sturge, Bennett, Meaney and Chamberlain left the meeting for the Board in camera meeting.

75. IN CAMERA SESSION

The Board of Directors held an in camera session and Messrs. Martin and Chamberlain returned to the meeting. The Chair stated that the Board was impressed with the quality of management of the project.


76. TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

March 5, 2015


Chairperson